Minutes of the Executive Compensation Committee of the Board of Directors of CareFirst, Inc., held April 26, 2001

Members Present: Joe Haskins, Ed Baran, (by Telephone), Hanan Sibel, George Wilkes

Also Present: Dan Altobello, William Jews, Sharon Vecchioni, Don Barnes, The HayGroup, Mark Muedeking, Piper, Marbury, Rudnick & Wolfe, LLP, and Stuart Smith, Credit Suisse

The committee held a special meeting to review the materials to be presented to the Board of Directors later that day on executive compensation.

Don Barnes of The HayGroup and Mark Muedeking of Piper, Marbury, Rudnick, and Wolfe, LLP, reviewed the presentation through the use of a handout which is made part of these minutes.

Merger Incentive and Retention Plans

Purpose

- Align the interests of management with the interests of the stakeholders
- Focus the attention of management on maintaining and maximizing value for stakeholders
- Ensure that management has the necessary incentives to drive the sale process through conclusion for the benefit of the stakeholders

Broad Array of Compensation Data Analyzed

- Total direct compensation of top 5 executives at Trigon and WellPoint analyzed - both companies have aggressive long-term incentives
- Cerulean Companies, Inc. (formerly BCBS of Georgia; merged with WellPoint) is most similar to CareFirst. Merger retention bonuses of Executive officers reviewed
- Compilation of 13 health care mergers prepared by Piper, Marbury, Rudnick, and Wolfe LLP analyzed
- 2000 Executive Compensation Advisory Services Survey of Merger and Acquisition Retention Awards reviewed. This survey has 130 organizations in it - 23% are financial services or healthcare companies.

Additional Data and Alternative Approaches Provided by Another Compensation Consulting Firm

- Frederic W. Cook & Co., Inc. valued the CEO award using three different approaches:
  - Direct translation of the Cerulean transaction
  - Comparison to other CEO transaction-related bonuses in companies outside the healthcare industry
  - Comparison to stock option gains of CEO's in similarly-sized publicly-held companies

- The average of the three approaches is consistent with Hay recommendation ($8.1 million + $6.0 million + $8.4 million = $7.5 million average).

Equity Based Compensation Comparative Transactions

- Thirteen health care mergers from 1996 to 2001
- Range in transactions from $200 million to $2.2 billion
- Median compensation as a percent of transaction paid to executive officers (including CEO) - 2.38% (range generally from 0.33% to 4.50%)
- Median compensation as a percent of transaction paid to CEO - 0.88% (range generally from 0.19% to 3.63%)

Adjustment for Private Company

- All thirteen transactions involved public companies
- A reduction factor of 20% is commonly used for a private company like CareFirst
- Median compensation reduces to 1.90% for executive officers (including CEO)
- Median compensation reduces to 0.70% for CEO

Comparison with Cerulean Companies, Inc.

- For a $1.0 billion transaction:
  - Executive officers (including CEO) receive $19.0 million (Cerulean received $17.9 million, for a $700 million transaction)
  - CEO receives $7.0 million (Cerulean received $6.6 million, for a $700 million transaction

Retention Bonuses

- It is essential to retain other key executives through the merger:
  — Maintain stability of operations
  — Minimize risk of talent defection

- A multiple of base salary (0.5 to 1.0) is commonly used for this purpose

After this review, the committee requested that Don Barnes and Mark Muedeking present the materials to the Board of Directors.

Respectfully submitted,

Sharon J. Vecchioni

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Compensation Committee Meeting

CareFirst BlueCross BlueShield Board of Directors

April 26, 2001

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PIPER MARBURY RUDNICK & WOLFE LLP

HayGroup

Agenda

- Approval of Minutes
  - February 22, 2001
  - March 23, 2001
  - April 20, 2001

- Merger Incentive and Retention Plans — Don Barnes & Mark Muedeking
  - Review of Presentation to the Board of Directors